



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
JEFFERSON COUNTY SHERIFF**

Calendar Year 2001

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY SHERIFF

Calendar Year 2001

The Auditor of Public Accounts has completed the Jefferson County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The operating fund balance increased by \$795,661 from the prior calendar year, leaving a balance of \$681,806 as of December 31, 2001. Operating revenues increased by \$543,637 from the prior year and disbursements increased by \$119,106.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Rebecca Jackson, County Judge/Executive
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Jefferson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Sheriff of Jefferson County, Kentucky, and the statement of receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former County Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Sheriff and the receipts, disbursements, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Rebecca Jackson, County Judge/Executive
Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Jefferson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 3, 2002

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2001

Receipts

| | | | | |
|---|----|------------------|---------|------------------|
| Federal Grants | | \$ | 39,225 | * |
| State Grants | | | 83,808 | * |
| State Fees for Services: | | | | |
| Attending Courts | \$ | 1,850,276 | * | |
| Conveyance of Prisoners | | 21,403 | * | |
| Sequestered Jurors | | 14,713 | | |
| KLEFPF Reimbursement | | <u>696,702</u> | * | 2,583,094 |
| Fiscal Court | | | 163,627 | * |
| Circuit Court Clerk | | | 297,424 | * |
| County Clerk | | | 59,091 | |
| Commission on Taxes: | | | | |
| State, County, and Special Districts | \$ | 5,571,900 | | |
| School | | <u>3,084,907</u> | * | 8,656,807 |
| Fees Collected for Services: | | | | |
| Auto Inspections | \$ | 259,820 | | |
| Serving Papers | | 903,290 | | |
| Executions | | 12,304 | | |
| Executions - Third Parties | | 335,424 | | |
| Carrying Concealed Deadly Weapon Permits | | 168,776 | | |
| Carrying Concealed Deadly Weapon Permits - Reimbursed | | 14,474 | * | |
| Sheriff's Advertising Fees | | 18,285 | | |
| Data Service Reimbursements | | <u>27,757</u> | * | 1,740,130 |
| Other Receipts: | | | | |
| 10 % Add on Fee | \$ | 1,071,747 | | |
| Interest Earned | | 446,493 | | |
| Miscellaneous | | <u>25,293</u> | * | <u>1,543,533</u> |
| Total Receipts | | | \$ | 15,166,739 |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 2001
 (Continued)

Disbursements

Payments to State:

| | | |
|--|----|---------|
| Carrying Concealed Deadly Weapon Permits | \$ | 112,535 |
|--|----|---------|

Other Disbursements:

| | | | |
|---|----|---------|---------|
| Executions - Third Parties | \$ | 335,424 | |
| Sequestered Jurors | | 14,713 | |
| Carrying Concealed Deadly Weapon Permits - Reimbursed | | 40 | |
| Serving Papers - Refunds | | 4,081 | |
| Bank Charges | | 133 | 354,391 |
| | | | <hr/> |

| | | |
|-------------------------------|----|---------|
| Total Allowable Disbursements | \$ | 466,926 |
| | | <hr/> |

| | | |
|--------------|----|------------|
| Net Receipts | \$ | 14,699,813 |
|--------------|----|------------|

Payments to State Treasurer:

| | | | |
|--------------------|----|------------|------------|
| 75% Operating Fund | \$ | 12,601,080 | |
| 25% County Fund | | 2,098,733 | 14,699,813 |
| | | <hr/> | <hr/> |

| | | |
|------------------------------------|----|-------|
| Balance Due at Completion of Audit | \$ | 0 |
| | | <hr/> |

*Included reimbursed expenses in the amount of \$6,304,689 for the audit period. See Note 1 of Notes to Financial Statements.

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 2001

| | 75% Operating Fund | 25% County Fund | Totals |
|---|--------------------------|-----------------------|---------------|
| Fund Balance - January 1, 2001 | \$ (113,855) | \$ 736,265 | \$ 622,410 |
| <u>Receipts</u> | | | |
| Fees Paid to State - Operating Funds (75%) | 12,601,080 | | 12,601,080 |
| Fees Paid to State - County Funds (25%) | | 2,098,733 | 2,098,733 |
| Total Funds Available | \$ 12,487,225 | \$ 2,834,998 | \$ 15,322,223 |
| <u>Disbursements</u> | | | |
| Jefferson County Government | \$ | \$ 2,181,270 | \$ 2,181,270 |
| Personal Services- | | | |
| Official's Statutory Maximum | 83,931 | | 83,931 |
| Incentive Pay | 730 | | 730 |
| Deputies' Salaries | 7,616,655 | | 7,616,655 |
| Temporary Help | 31,721 | | 31,721 |
| Overtime Gross | 213,566 | | 213,566 |
| Employee Benefits- | | | |
| Employer's Share Social Security | 552,014 | | 552,014 |
| Employer's Share Retirement | 1,159,656 | | 1,159,656 |
| Employer's Paid Health Insurance | 636,576 | | 636,576 |
| Employer's Paid Life Insurance | 6,927 | | 6,927 |
| Other Payroll Disbursements | 10,436 | | 10,436 |
| Contracted Services- | | | |
| Auditing and Accounting | 28,849 | | 28,849 |
| Advertising | 23,724 | | 23,724 |
| Legal Services | 13,449 | | 13,449 |
| Personal Services | 11,027 | | 11,027 |
| MIS Services | 44,119 | | 44,119 |
| Materials and Supplies- | | | |
| Office Materials and Supplies | 55,323 | | 55,323 |
| Printing | 38,447 | | 38,447 |
| Ammunition | 14,613 | | 14,613 |
| Uniforms | 39,226 | | 39,226 |

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
 JOHN E. AUBREY, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 2001
 (Continued)

| | 75% Operating Fund | 25% County Fund | Totals |
|----------------------------------|--------------------------|-----------------------|----------------------|
| <u>Disbursements (Continued)</u> | | | |
| Other Charges- | | | |
| Bonds and Insurance | \$ 67,983 | \$ | \$ 67,983 |
| Travel and Training | 53,659 | | 53,659 |
| Dues | 13,945 | | 13,945 |
| Postage | 148,352 | | 148,352 |
| Equipment Maintenance | 3,336 | | 3,336 |
| Computer Maintenance | 40,680 | | 40,680 |
| Office Equipment Rental | 14,794 | | 14,794 |
| Insurance Claims | 2,053 | | 2,053 |
| Rent | 2,130 | | 2,130 |
| Telephone | 55,319 | | 55,319 |
| Radio Charges | 20,980 | | 20,980 |
| Communication Maintenance | 29,690 | | 29,690 |
| Utilities | 1,096 | | 1,096 |
| Subscriptions | 6,417 | | 6,417 |
| Physicals and Medical | 54 | | 54 |
| Miscellaneous | 3,069 | | 3,069 |
| Auto Expenses- | | | |
| Gasoline | 106,729 | | 106,729 |
| Maintenance and Repairs | 91,307 | | 91,307 |
| Insurance | 51,454 | | 51,454 |
| Parking | 155,247 | | 155,247 |
| Capital Outlay- | | | |
| Office Equipment | 14,870 | | 14,870 |
| Communication Equipment | 6,311 | | 6,311 |
| Computers | 121,895 | | 121,895 |
| Law Enforcement Equipment | 1,051 | | 1,051 |
| Vehicle | 212,009 | | 212,009 |
| Total Disbursements | <u>\$ 11,805,419</u> | <u>\$ 2,181,270</u> | <u>\$ 13,986,689</u> |
| Fund Balance - December 31, 2001 | <u>\$ 681,806</u> | <u>\$ 653,728</u> | <u>\$ 1,335,534</u> |

The accompanying notes are an integral part of the financial statements

JEFFERSON COUNTY
JOHN E. AUBREY, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

JEFFERSON COUNTY
 JOHN E. AUBREY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2001
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2001 are:

| Item Purchased | Monthly Payment | Term of Agreement | Ending Date | Principal Balance December 31, 2001 |
|---------------------|--------------------|----------------------|-------------------|---|
| Inspection Facility | \$ 355 | 12 Months | December 31, 2002 | \$ 4,260 |
| Parking Spaces | \$ 8,970 | 12 Months | December 31, 2002 | \$ 107,640 |
| Five Copy Machines | \$ 892 | 48 Months | February 8, 2006 | \$ 42,797 |

JEFFERSON COUNTY
 JOHN E. AUBREY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2001
 (Continued)

Note 5. Grants

A. Body Armor Grant

The Sheriff received a body armor grant from the Kentucky Department For Local Government in the amount of \$83,808. The unexpended grant balance is \$83,808 as of December 31, 2001.

B. Coordinated Services – Emergency Protective Orders (EPO's) & Warrants

The Sheriff received \$21,749 (grant #6296-VA1-2/00) out of a grant of \$31,285, for serving EPO's and warrants in calendar year 2001. At December 31, 2001, the Sheriff was due \$9,536. These grants were received from the U.S. Department of Justice through the Kentucky Criminal Justice Council.

Note 6. Tax Account Surplus

The Sheriff 's tax account surplus totaled \$1,270,949 as of December 31, 2001 and consisted of the following:

| | | |
|-----------------------|----|------------------|
| 1995 Tax Year Surplus | \$ | 369,946 |
| 1996 Tax Year Surplus | | 332,484 |
| 1997 Tax Year Surplus | | 148,078 |
| 1998 Tax Year Surplus | | 117,979 |
| 1999 Tax Year Surplus | | 175,272 |
| 2000 Tax Year Surplus | | <u>127,190</u> |
| Total | \$ | <u>1,270,949</u> |

The Sheriff has attempted to return overpayments to taxpayers. According to KRS 393.090, property is considered abandoned after seven years and escheats to the Kentucky State Treasurer.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Honorable John E. Aubrey, Jefferson County Sheriff
Members of the Jefferson County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the Jefferson County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated June 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jefferson County Sheriff's financial statements as of December 31, 2001, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 3, 2002

